PRIVACY/COOKIES POLICY

Aurigin Systems Acquired by Information Holdings, Inc.

by ***Richard Poynder***

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Following the auction of its assets in the bankruptcy courts, patent analytics company Aurigin Systems has been acquired by Information Holdings (IHI). Aurigin will be integrated into IHI subsidiary MicroPatent.

As previously reported by Nancy Lambert **(http://newsbreaks.infotoday.com/nbreader.asp?ArticleID=17261)**, Aurigin suffered a fatal blow in early January when senior management walked out of the company after failing to agree to new funding terms with the company's investors. "Aurigin was unable to raise financing, and so was put into Chapter 11 by some of its creditors," explains Martin Stapleton, chief financial officer at Reuters' venture capital arm RVC, one of the investors concerned.

With both Reuters and Thomson Corp. also bidding for Aurigin, the price was driven up to $12.4 million. As part of the deal, IHI has agreed to take on a number of Aurigin's liabilities—estimated at around $3.35 million—suggesting that the total cost of the acquisition was $15.75 million. For this, MicroPatent will get Aurigin's products, employees, intellectual property, and an estimated 90 customers.

The price represents good value, says Steve Wolfson, president of MicroPatent. "This acquisition has tremendous value across all of MicroPatent's business. The combination of Aurigin and MicroPatent creates an intellectual property solution company second to none. MicroPatent is now stronger than ever and has more than ever to offer to customers. Aurigin is also now stronger than ever. So it's a win-win for customers of both companies."

Responding to recent user concern about the future of Aurigin's products, Wolfson says, "We are supporting all Aurigin products, and we are developing key feature enhancements for the Aurigin Web product, because we believe this is the best solution for customers going forward."

What about Aurigin's employees? "All the senior management positions were redundant," says Wolfson. "The priority is to retain people below that level, and we think we will be successful in doing that. For now MicroPatent's senior management will have various key Aurigin people reporting to them at different functional levels. Over time, we'll devise the best structure."

Wolfson is strikingly upbeat about future prospects for Aurigin, predicting that after a 3 to 6 month transition period the company will be profitable.

But if profitability was so close, why, after having invested $65 million in the company, did investors bail out for just $12.4 million? Stressing that Aurigin is a good business, Stapleton will say only: "It's a very complicated story and there are many different interpretations of fact around. All I can say is that it was most unfortunate that the company failed to raise financing and ended up in Chapter 11."

The cause of Aurigin's failure, suggests Wolfson, lies in bad management—and investors share some responsibility for this. "It is clear that the company was managed poorly, and the various venture capitalists that funded it throughout its life probably should have been much more diligent with their analysis before continuing to fund management excesses."

However, unpleasant as recent events have been, they have at least eased the way to profitability, he adds. First, when senior management walked out they significantly reduced payroll costs. Second, bankruptcy has enabled Wolfson to renegotiate the lease on Aurigin's Cupertino, California, offices. "If they hadn't declared bankruptcy they would have been stuck with their horrible lease and lots of office space," he says. "We have just signed a new 2-year lease for much less space than before, and at better rates."

So did the best guy win? Clearly Reuters' motive for bidding was primarily to talk the company up, but might Aurigin have made a better fit with Thomson's Derwent?

Not from the customer's perspective, says patent searcher Roy Zimmerman, who works in the law department of medical device manufacturer Medtronic. "I think MicroPatent will provide better adaptation of the valuable elements of Aurigin's products than would Derwent," he says. "Derwent does an admirable job of abstracting and indexing, but its technology offerings have been quite lackluster—not to mention that Derwent overprices everything it offers, whereas MicroPatent is comfortable with flat-price site licenses."

Nonetheless, Zimmerman suggests, MicroPatent will need to cast a critical eye over Aurigin's products. "I maintained a large collection of U.S. patents for more than 6 years in the prior-generation product, SmartPatent WorkBench, but I evaluated and chose not to buy the Aureka products. I found them too costly and less effective for search and analysis than the earlier product."

For Peter Vlastelica, director of Plumb Design's electronic publishing practice, the acquisition of Aurigin was a smart, but inevitable, move. "MicroPatent is responding to customers' demand for a seamless process for managing, analyzing, and visualizing their data, and the relationships within it," he says. "We've seen this trend with information providers across all industries, from IP to financial services to music. Selling raw data is no longer enough."

But MicroPatent can expect considerable competitive pressure. New entrants are rushing to grab a slice of the increasingly trendy patent analytics market, as are established patent information players. For instance, with Delphion's new intellectual asset management (IAM) product (which is currently in beta), the war of words has already begun. "While we believe Aurigin is an interesting solution, it doesn't offer nearly the breadth of what we are bringing to the marketplace," argues Delphion CEO Woody Ritchey.

"I know there is a lot of talk about Delphion's IAM product, and a lot of hype," responds Laura Gaze, MicroPatent's director of marketing. "But is there anything actually tangible that you have seen with regard to it?"

Certainly MicroPatent has come a long way since its purchase by Information Holdings in 1997. Following a rapid-fire series of further acquisitions, IHI has transformed MicroPatent from a plain document delivery service provider into an increasingly powerful supplier of a broad range of intellectual property information. The addition of Aurigin's technology now provides an opportunity to take MicroPatent to the next level, as Wolfson indicated in a recent Information Today interview **(http://www.infotoday.com/it/may02/poynder.htm)**.

Where, then, does this leave Derwent? At this writing it wasn't possible to reach a Thomson executive, but it's hard not to conclude that Derwent has again missed the boat. Three years ago the company had to abandon its attempts to become a Web player, aborting Patent Explorer after incurring substantial development costs. Has it now been shut out of the analytics business?

In April it was announced that Thomson had acquired German intellectual property specialist Wila Verlag, which will be merged with Derwent Information. Some, however, argue that Thomson's money would have been better spent on Aurigin's next-generation technology, rather than on a small German competitor.

Only time will tell whether it is IHI or Thomson that has invested its money to better effect.

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